



WINE AND SPIRITS WHOLESALERS OF CONNECTICUT, INC.

PETER A. BERDON
EXECUTIVE DIRECTOR
GENERAL COUNSEL

GEORGE MONTANO
PRESIDENT EMERITUS

February 16, 2010

Testimony of Wine & Spirits Wholesalers of Connecticut Concerning Raised Bill 5139, An Act Concerning The Sale of Wine With Gift Baskets

Raised Bill 5139, as drafted, establishes a new retail permit for the internet sale of wine to consumers in Connecticut. While the WSWC supports the proposal to permit gift basket vendors to purchase wine from licensed Connecticut package stores and to sell and deliver those gift baskets to Connecticut Consumers, the WSWC opposes proposals, such as Raised Bill 5136, which will harm Connecticut's beverage alcohol industry and which are a subterfuge for lowering permit fees in an unbalanced fashion.

Raised Bill 5139, proposes to allow a "gift basket retail permit" to sell "gift baskets" of wine which may (there is no requirement that non-wine items be included in the gift basket) include food, clothing, ice, nonalcoholic beverages, and wine making kits. The permit fee is proposed to be \$500.00. There is no requirement that the wine be purchased from a Connecticut business, either package store or wholesaler or that the gift basket permittee be located in Connecticut.

- Connecticut will lose permit fee revenue. An out of state business which desires to sell wine over the internet or through mail order catalogs will use this permit as opposed to the "Out-of-State Shipper's" Permit (CGS § 30-18) to sell and ship wine into the state at forty percent (40%) of the current permit cost.
- Connecticut will lose excise tax and sales tax revenues. Gorilla Economics Group, in a 2009 study, determined that there is a aggregate ten percent (10%) shortfall of reported state excise gallonage as compared to reported federal gallonage. (Connecticut's Excise tax revenue for FY 09 was \$42.4M) While the loss of excise tax revenues is significant, it pales in comparison to the loss of sales taxes for unreported sales as sales tax on an averaged priced wine six times that of the excise tax. The total loss to Connecticut is at least as high as \$4.213M on wine sales alone and likely exceeds that amount¹. Connecticut should work to prevent this leakage of tax revenue, not expand upon it.
- Connecticut will lose jobs. Sales which are made by out of state businesses mean few jobs for Connecticut citizens. While the incremental loss of jobs may be small as compared to the overall workforce there will be lost jobs. Equally important Connecticut's business will lose sales and sales revenue to out of state businesses.

Raised Bill 5193 can be corrected by requiring a "wine basket permittee" to be located in Connecticut and to purchase wine from a package store licensee.

¹ Based upon average bottle price of \$11.99. Actual loss likely exceeds estimate as Connecticut ranks 6th in wine consumption among states, and suffers disproportionately from underreported sales.